



***United States Attorney  
Southern District of New York***

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**FEDERAL JUDGE SENTENCES INSURANCE BROKER TO 33 MONTHS  
IN PRISON FOR FRAUD ON MAJOR INSURANCE COMPANY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MARTIN HOFFMAN, an international broker of property and casualty insurance, and the president and principal owner of Eton Management Corporation, was sentenced today by United States District Judge RICHARD M. BERMAN to 33 months in prison, and ordered to pay \$4,222,000 in restitution, for fraud he perpetrated against Clarendon America Insurance Company.

According to an Indictment filed previously, beginning in or about 1995, HOFFMAN's company, Eton, entered into a consulting agreement with Clarendon -- a property and casualty insurance company -- whereby Eton could act as Clarendon's agent, assisting Clarendon in booking insurance business. Among other things, the consulting agreement permitted Eton to book insurance contracts on behalf of Clarendon, and provided that Eton would manage that business, including communicating with other insurance brokers, processing claims, and monitoring the collection of premium payments to Clarendon.

According to the Indictment, over the course of the consulting agreement's operation, Eton booked a substantial amount of insurance business with Clarendon, worth in excess of \$100 million in total premiums. But around the end of 1997, employees in Clarendon's accounting department discovered a large shortfall in the premiums Clarendon expected to receive from the Eton business. Between late 1997 and November 1999, Clarendon executives repeatedly demanded that HOFFMAN resolve the premium shortfall as soon as possible, and ultimately, in part because HOFFMAN had still not resolved the premium shortfall, Clarendon terminated the consulting agreement in February 1999. In addition, Clarendon management asked HOFFMAN to find a company to reinsure the insurance policies booked by Eton for Clarendon prior to the termination. HOFFMAN promised to attempt to do so, and around the summer of 1999, HOFFMAN told Clarendon management that he had

reached an agreement with CNA Insurance Company (Europe), Ltd., for CNA to reinsure the Eton related business. Clarendon asked to see written confirmation of the purported CNA agreement, and HOFFMAN sent a document to a Clarendon executive that appeared to be a genuine term sheet confirming the purported CNA reinsurance commitment. The term sheet bore what appeared to be a CNA stamp, and a CNA executive's initials. In fact, however, the CNA term sheet was a forgery, and no such agreement with CNA existed. In addition, despite having been terminated, HOFFMAN and Eton continued, without authority, to portray themselves as having the power to bind Clarendon to new insurance policies, and fraudulently booked insurance policies in Clarendon's name at least until October 1999. In the end, Clarendon was left responsible for a substantial amount of insurance obligations fraudulently booked by HOFFMAN.

On October 14, 2005, HOFFMAN entered a guilty plea to one count of mail fraud, admitting that he forged the CNA term sheet, and knew it was wrong to do so.

HOFFMAN, 70, lives in Bal Harbour, Florida.

Mr. GARCIA praised the efforts of the United States Postal Inspection Service in this case.

Assistant United States Attorney DAVID SIEGAL is in charge of the prosecution.

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